



Presentation of Financial Results for the Third Quarter in December 2019

February 12, 2020
DAIKIN INDUSTRIES, LTD.

Daikin achieved record highs for sales and operating profit.

In the Air Conditioning business, we increased revenue and profits on a local currency basis in the slowing Chinese economy by enhancing the product lineup in response to changes in the market environment. Meanwhile, sales in Japan, the Americas, Europe, and Asia expanded, and we achieved higher revenue and profits.

In the Chemicals business, the slowdown in the semiconductor and automotive markets has had a significant impact, and both revenue and profits decreased.

Despite the worsening business environment in the second half of the fiscal year due to a slow recovery in the semiconductor market, the negative impact of the foreign exchange, and a decline in demand from the relatively warm winters in Japan and the United States, Daikin aims to achieve its full-year forecast for operating profit (285 billion yen).

(billion yen)	Q1-3 Result			Forecast	
	FY2018	FY2019	Y/Y	FY2019	Y/Y
Net sales	1,875.2	1,951.4	104%	2,610.0	105%
Operating profit	213.8	219.1	102%	285.0	103%
(Percentage of profit to net sales)	(11.4%)	(11.2%)		(10.9%)	
Ordinary profit	215.9	224.0	104%	285.0	103%
(Percentage of profit to net sales)	(11.5%)	(11.5%)		(10.9%)	
Profit attributable to owners of parent	149.9	148.0	99%	195.0	103%
(Percentage of profit to net sales)	(8.0%)	(7.6%)		(7.5%)	

USD/JPY

¥111

¥109

¥109

EUR/JPY

¥129

¥121

¥121

RMB/JPY

¥16.6

¥15.6

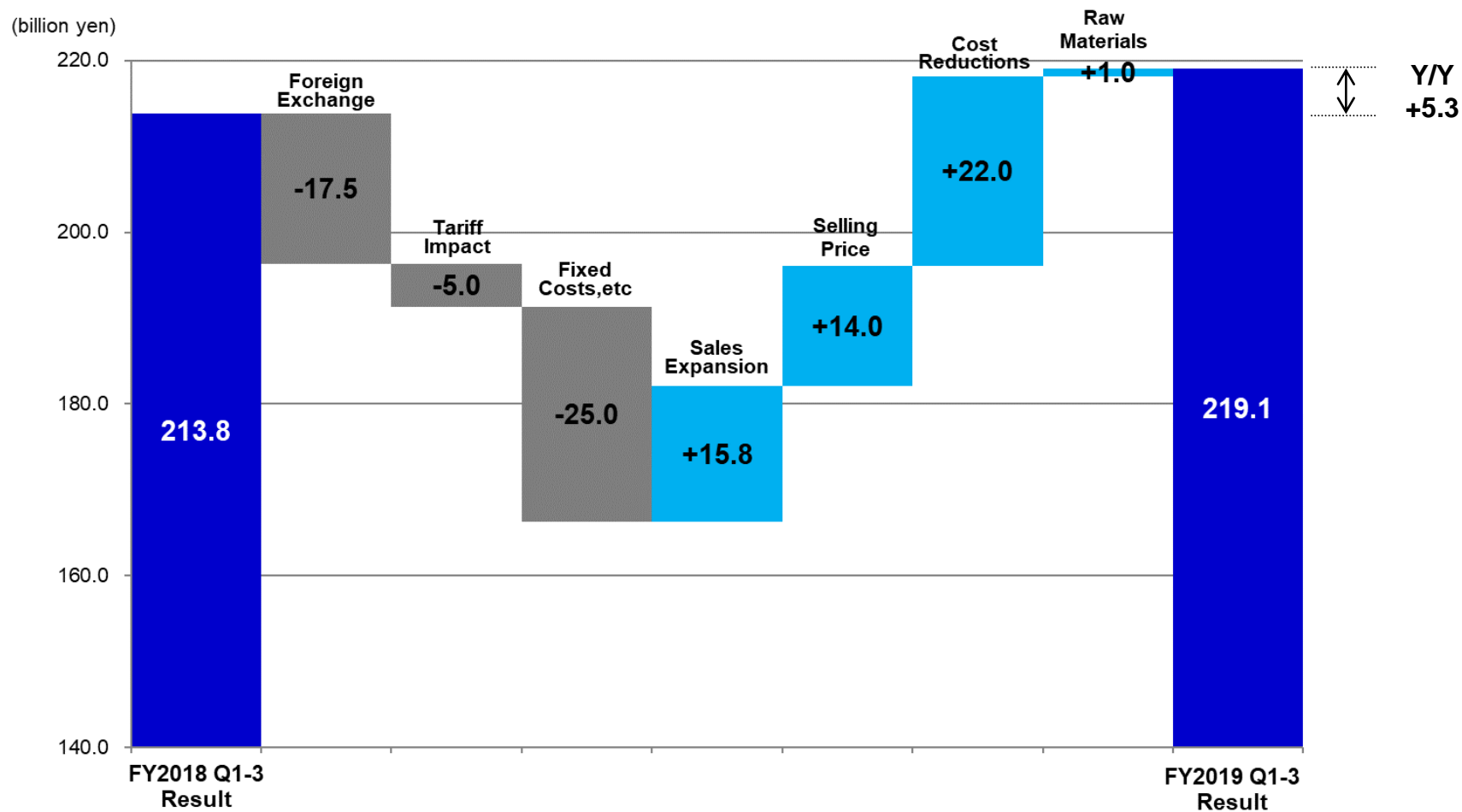
¥15.5

FX Effect (Y/Y)	
Sales	-61.0 billion yen
Operating Profit	-17.5 billion yen

Financial Results by Segments

(billion yen)		Q1-3 Result			Forecast	
		FY2018	FY2019	Y/Y	FY2019	Y/Y
Total	Sales	1,875.2	1,951.4	104%	2,610.0	105%
	Operating profit <small>(Percentage of profit to net sales)</small>	213.8 <small>(11.4%)</small>	219.1 <small>(11.2%)</small>	102%	285.0 <small>(10.9%)</small>	103%
Air-Conditioning	Sales	1,687.2	1,776.6	105%	2,353.0	106%
	Operating profit <small>(Percentage of profit to net sales)</small>	185.4 <small>(11.0%)</small>	197.8 <small>(11.1%)</small>	107%	249.0 <small>(10.6%)</small>	105%
Chemicals	Sales	149.4	132.6	89%	194.0	97%
	Operating profit <small>(Percentage of profit to net sales)</small>	24.7 <small>(16.6%)</small>	17.7 <small>(13.3%)</small>	72%	30.0 <small>(15.5%)</small>	92%
Others	Sales	38.5	42.2	109%	63.0	108%
	Operating profit <small>(Percentage of profit to net sales)</small>	3.7 <small>(9.5%)</small>	3.6 <small>(8.6%)</small>	99%	6.0 <small>(9.5%)</small>	99%

Breakdown of Changes in Operating Profit



Sales by Region – Air Conditioning



※Includes refrigerator, freezer and filter businesses

※Percentage expresses year on year comparison

(billion yen)	FY2015 Q1-3		FY2016 Q1-3		FY2017 Q1-3		FY2018 Q1-3		FY2019 Q1-3		FY2019 Forecast	
	Japan	99%	307.7	105%	322.7	105%	340.2	107%	364.1	104%	379.7	104%
Europe	110%	188.1	96%	181.2	118%	214.5	112%	239.9	116%	278.9	117%	390.0
China	103%	270.1	92%	248.4	115%	286.3	102%	292.9	97%	283.4	96%	327.0
Americas	116%	379.0	100%	380.5	114%	432.5	112%	486.3	108%	524.2	108%	700.0
Asia	114%	174.6	97%	169.1	109%	184.5	110%	203.3	107%	217.3	109%	305.0
Oceania	109%	35.3	106%	37.6	146%	54.9	105%	57.9	93%	53.7	92%	72.0
Middle East	117%	35.6	94%	33.4	117%	38.9	93%	36.2	93%	33.6	94%	50.0
Africa	110%	8.2	69%	5.6	100%	5.6	115%	6.5	88%	5.7	100%	9.0
Total	108%	1,398.5	99%	1,378.4	113%	1,557.3	108%	1,687.2	105%	1,776.6	106%	2,353.0
Overseas Sales ratio		78%		77%		78%		78%		79%		79%
USD/JPY		¥122		¥107		¥112		¥111		¥109		¥109
EUR/JPY		¥134		¥118		¥129		¥129		¥121		¥121
RMB/JPY		¥19.3		¥16.0		¥16.6		¥16.6		¥15.6		¥15.5

Sales by Region – Chemicals

※Percentage expresses year on year comparison

(billion yen)	FY2015 Q1-3		FY2016 Q1-3		FY2017 Q1-3		FY2018 Q1-3		FY2019 Q1-3		FY2019 Forecast	
	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage	Value
Japan	110%	28.9	104%	29.9	114%	34.2	117%	40.0	94%	37.7	98%	54.0
Americas	114%	30.9	89%	27.5	110%	30.2	113%	34.1	92%	31.4	98%	46.0
China	101%	26.4	90%	23.8	121%	28.8	103%	29.5	92%	27.1	102%	37.0
Asia	124%	13.5	90%	12.1	131%	16.0	120%	19.2	91%	17.5	98%	26.5
Europe	165%	17.7	90%	15.9	128%	20.4	124%	25.2	71%	17.8	88%	29.5
Others	107%	0.8	89%	0.7	137%	1.0	135%	1.3	82%	1.1	58%	1.0
Total	116%	118.2	93%	110.0	119%	130.5	114%	149.4	89%	132.6	97%	194.0
Overseas Sales ratio		76%		73%		74%		73%		72%		72%
USD/JPY		¥122		¥107		¥112		¥111		¥109		¥109
EUR/JPY		¥134		¥118		¥129		¥129		¥121		¥121
RMB/JPY		¥19.3		¥16.0		¥16.6		¥16.6		¥15.6		¥15.5

Japan

Industry demand for residential use was solid in the first half but was affected by a warm winter and a reversal of the surge in demand seen ahead of the consumption tax increase. Consequently, demand remained flat with the previous year. However, Daikin was able to expand sales by capitalizing on demand for a wide range of products that included **Urusara X**, our flagship air conditioner with a built-in cleaning function for interior parts of the indoor unit, **risora**, which pursues both design and functionality, and products designed for cold regions.

Industry demand for commercial use exceeded the previous fiscal year due to special demand for school air conditioning and solid capital investments. In addition to mainstay products such as **FIVE STAR ZEAS** and **machi MULTI**, Daikin expanded sales for differentiated products including **MULTI CUBE**, which enables individual control even in large spaces like factories. Results fell short of industry growth due to a sales strategy focused on high profitability. In Applied, sales expanded for high value-added products including those using R32 refrigerant.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential	Market	100%
	Daikin	102%
Commercial	Market	111%
	Daikin	103%
Applied	Market	99%
	Daikin	101%

※Applied is based on sales.

Americas

With solid personal spending supporting demand, sales exceeded the previous fiscal year due to the expansion of the sales network, strengthening of product development, growth of the After Sales Service business, and the effect of selling price measures.

In November 2019, Daikin completed consolidation of all production to Daikin Texas Technology Park, the new Goodman factory. Here we aim to further increase earnings by expanding production capacity and improving productivity.

- In Ducted Unitary for Houses, we expanded company owned distributor network and promoted dealer training and support. While sales were solid for company owned distributor network, the warm winter affected results, and sales remained flat with the previous year.
- In Ductless, sales of low-cost RA models increased in the residential-use market. User Direct sales activities were strengthened in **VRV systems**.
- In Applied, equipment sales expanded by strengthening the sales network and wide product lineup, and the After Sales Service business grew.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Ducted unitary for houses		101%
Ductless	RA/SKY	111%
	VRV	100%
Applied		118%

※SKY・・・Medium or compact size packaged air conditioners

※VRV・・・Multi-split system for commercial

※Applied is based on sales in local currency.

China

Despite the economic slowdown resulting from the China-U.S. trade friction and the Chinese government’s policy to restrict new housing, Daikin enhanced the product lineup in response to market changes and expanded sales to regional cities. Together with capitalizing on softening market conditions for raw materials, we acted to curtail fixed costs and reduce costs through in-house production and automation. As a result, revenue and profits increased on a local currency basis.

- In Residential Use, sales resources shifted to regional cities expecting growth, and PROSHOP specialty stores increased. In addition to the **New Life Multi Series**, which is marketed to middle-to-upper class residences, we enlarged the product lineup for general residences and increased sales.
- In Commercial Use, despite lower demand for new construction of large-scale projects, we capitalized on the solid demand for store projects, such as restaurants, and small- and medium-sized bid proposals for renewal projects. In major cities with mature markets, sales grew by gaining replacement demand with **Intelligent VRV systems**, which link to customers via the Internet.
- In Applied, we proceeded with proposal sales in fields where demand is expected to grow such as data centers.

<AC sales by market (aggregate sales in local currency)>

(Y/Y change)	Q1-3 Result
Residential※	105%
Commercial	97%
Applied	104%

※Multi-split air conditioners for residential use are included.

Europe, Middle East, and Africa

In Europe, Daikin increased sales of high value-added products by capitalizing on greater environmental awareness. A new consolidation effect of AHT was seen, and the overall sales of the region substantially exceeded the previous fiscal year.

- In Residential Use, sales expanded for high valued-added products including R32 units. In France and Germany, the summer heat wave affected results, and sales substantially grew in continuation of the previous fiscal year.
- In Commercial Use, sales for **VRV systems** increased for differentiated products using recycled refrigerant and refrigerant-saving models in Europe. For **SkyAir**, sales of R32 units expanded.
- In the Heating business, Daikin capitalized on its wide product lineup of heat pump type hot water heating systems, and market share expanded based on strong demand. In France, incentives promoting replacement from combustion-type equipment provided a tailwind, and sales substantially grew.
- In Applied, sales significantly increased for R32 chillers that were launched ahead of other companies in the Middle East market, which is the largest market.
- In the Refrigerator and Freezer business, we used the combined sales networks and product lineups of Zanotti and AHT, and promoted business development for the overall cold chain.

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential		106%
Commercial	SKY	105%
	VRV	101%
Heating		128%
Applied		119%

※SKY・・・Medium or compact size package air conditioners
 ※VRV・・・Multi-split system for commercial
 ※Applied is based on sales in local currency.

Asia/Oceania

Daikin extended its sales network in each country from large urban cities to regional cities. Efforts were made to expand sales of differentiated products based on local area needs, strengthen the after sales service system, and expand the number of sales personnel as sales surpassed the previous fiscal year.

Particularly in India, sales substantially grew by developing products that precisely met local needs in addition to the accelerated construction of a sales network for each regional city.

- In Residential Use, in addition to expanding sales in India, sales expanded mainly in Thailand, Vietnam, and Indonesia for differentiated products such as cooling-only inverter units.
- In Commercial Use, together with focusing on the training dealers, we promoted proposal sales customized to applications and strengthened spec-in activities. Sales expanded mainly in India, Malaysia, Thailand, and Vietnam.
- In Applied, sales significantly grew from the strengthening of product supply capabilities and training dealers.

■ Year-on-year sales of main countries (local currency basis)		
Australia: 100%	India: 114%	Vietnam: 107%
Thailand: 116%	Malaysia: 106%	Indonesia: 116%

<AC sales by product (volume basis)>

(Y/Y change)		Q1-3 Result
Residential		109%
Commercial	SKY	107%
	VRV	112%
Applied		125%

※SKY・・・Medium or compact size package air conditioners
 ※VRV・・・Multi-split system for commercial
 ※Applied is based on sales in local currency.

Sales were significantly lower than the previous fiscal year due to the impact of decreased demand, mainly in the semiconductor and automotive markets, and a decline in sales for refrigerant gas in Europe. To recover demand in the future, Daikin promoted application development in such fields as information and communication technology and electric vehicles.

- Fluorocarbon Gas in Europe faced the lingering impact of distribution stock piling up due to a surge in demand in the previous fiscal year, and sales declined over the previous fiscal year.
- Polymers and Fluoroelastomers
 - Fluoropolymers experienced a decrease in sales due to lower global demand for semiconductor-related products.
 - Fluoroelastomers showed a decline in sales due to slow demand in automotive-related fields.
- In Fine Chemicals, sales for etching solution fell due to lower demand in the semiconductor market. Demand for water and oil repellent agents failed to grow in China and the United States, causing sales to decline. Even sales for the antifouling agent **OPTOOL** decreased.

<Chemical sales by product (aggregate sales)>

(Y/Y change)	Q1-3 Result
For all fluorochemical products	89%
Fluorocarbon Gas	69%
Polymers & Fluoroelastomers	92%
Fine Chemicals, etc.	93%

Sales substantially decreased over the previous fiscal year.

In the Air Filter segment, sales decreased in the main market of the United States due to a delay in supply. In Europe and China, sales decline from increased competition, whereas Japan was also affected by a decrease in semiconductor-related demand.

In P&I ※ , despite the severe demand environment, we worked to improve the business structure by promoting a shift in resources to the After Sales Service business and other measures.

※P&I : Commercial-use dust collection systems for applications including gas turbines and large-scale plants

	FY2018		FY2019	
	Q1-3 Result	Full-year Result	Q1-3 Result	Full-year Forecast
(billion yen)				
Capex	58.5	87.2	88.9	105.0
Depreciation	54.0	72.3	71.0	80.0
R&D Cost	47.7	65.2	50.2	70.0



DAIKIN INDUSTRIES, LTD.

Notes on forecast

- This data is compiled for informational purposes and is not to be construed as a solicitation of any action. This data (includes management plan) was compiled by Daikin Industries, Ltd. (the Company) based on reliable information available at the time of compilation. It may include some risks and uncertainties. The Company is not responsible for its accuracy or completeness.
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